



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Public Hearing for Lodi Memorial Hospital regarding issuance of tax-exempt obligations and approval of the California Statewide Communities Development Authority's issuance of indebtedness to construct a new Lodi Memorial Hospital project (Budget)

MEETING DATE: October 3, 2007

PREPARED BY: Kirk Evans, Budget Manager

RECOMMENDED ACTION: Conduct a public hearing on behalf of Lodi Memorial Hospital regarding the issuance of tax-exempt obligations and approve resolution attached (Exhibit A) regarding the California Statewide Communities Development Authority's issuance of indebtedness to finance new construction and upgrades of Lodi Memorial Hospital project.

BACKGROUND INFORMATION:

Lodi Memorial Hospital ("Applicant") has submitted to the California Statewide Communities Development Authority ("Authority") an application for financing new construction and upgrades of certain medical facilities ("Project") through the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$150 million. The City of Lodi has been asked to assist in conducting a public hearing today with respect to the proposed financing.

The Bonds would be tax-exempt private activity bonds for the purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the project to be financed is located. The City will not be under any obligation to repay the Bond indebtedness.

In order for the Authority to issue such Bonds, the City must (1) conduct a public hearing allowing members of the public to comment on the proposed Project, and (2) approve of the Authority's issuance of Bonds on behalf of the proposed financing. Although the Authority (not the City) will be the issuer of the tax-exempt revenue bonds for the Project, the financing cannot proceed without the City approving of the Authority's issuance of indebtedness.

The Authority is a joint powers authority consisting of over 480 California cities, counties and special districts. The City of Lodi is a member. The Authority, pursuant to its Amended and Restated Joint Exercise of Powers Agreement, is authorized to assist in the financing of facilities for non-profit organizations. Lodi Memorial Hospital is a 501 (c)(3) non-profit organization. In order to initiate such a financing, the member of the Authority in which the proposed project will be located - in this case, the City of Lodi - must take the following actions:

APPROVED:  _____
Blair King, City Manager

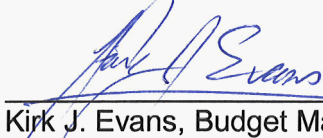
- 1) Conduct a public hearing
- 2) Approve the Authority's issuance of indebtedness

Therefore, although the Authority will be the issuer of the tax-exempt revenue obligations for Lodi Memorial Hospital, the financing cannot proceed without the City of Lodi's approval.

Attached is a copy of Lodi Memorial Hospital's Application that was filed with the Authority (Exhibit B).

FISCAL IMPACT: The City is requesting reimbursement for costs associated with coordinating the public hearing process and preparing statements that will appear in the annual financial report. Therefore, while the City will not expend funds related to this issuance, staff expects to receive revenue in the \$6,000 to \$10,000 range.

FUNDING AVAILABLE: N/A



Kirk J. Evans, Budget Manager

Respectfully submitted,



James Krueger, Deputy City Manager

RESOLUTION NO. 2007-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI APPROVING THE ISSUANCE OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY INSURED REVENUE BONDS (LODI MEMORIAL HOSPITAL) IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$150,000,000 FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION, CONSTRUCTION, EQUIPPING AND IMPROVEMENT OF CERTAIN HEALTH CARE FACILITIES OWNED AND OPERATED BY LODI MEMORIAL HOSPITAL ASSOCIATION, INC. AND OTHER MATTERS RELATING THERETO

=====

WHEREAS, Lodi Memorial Hospital Association, Inc., a nonprofit public benefit corporation (the "Corporation"), has requested that the California Statewide Communities Development Authority (the "Authority") issue revenue bonds, in one or more series, in an aggregate principal amount not to exceed \$150,000,000 (the "Bonds") for the purpose of, among other things, financing and refinancing the acquisition, construction, equipping and improvement (the "Financing") of certain health care facilities owned and operated by the Corporation (the "Facilities") located in the City of Lodi (the "City"); and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City. because the Facilities are located within the territorial limits of the City; and

WHEREAS, the City Council of the City (the "City Council") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, the Authority has also requested that the City Council approve, for purposes of Section 9 of the Agreement, the issuance of any bonds to be issued by the Authority to refund the Bonds; and

WHEREAS, pursuant to Section 147(f) of the Code, on October 3, 2007, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds at which hearing members of the public wishing to express their views on the issuance of the Bonds and on the nature and location of the Facilities proposed to be financed and refinanced were offered the opportunity to express such views , and now the City Council desires to approve the issuance of the Bonds by the Authority.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Lodi as follows:

Section 1. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the Financing and the issuance of the Bonds by the Authority for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are to be located, in accordance with said Section 147(f) and (b) Section 9 of the Agreement, which shall also be deemed satisfied for any bonds issued by the Authority to refund the Bonds.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 3. This Resolution shall take effect immediately upon its adoption.

Dated: October 3, 2007

=====

I hereby certify that Resolution No. 2007-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 3, 2007, by the following vote:

AYES: COUNCIL MEMBERS -

NOES: COUNCIL MEMBERS -

ABSENT: COUNCIL MEMBERS -

ABSTAIN: COUNCIL MEMBERS -

RANDI JOHL
City Clerk

2007-_____



EXHIBIT B

Building Communities, Investing in Local Government Since 1988

August 22, 2007

VIA EMAIL and REGULAR MAIL

Mr. Kirk Evans
Budget Manager
City of Lodi
P.O. Box 3006
Lodi, CA 95241-1910

Rc: Public Hearing for Lodi Memorial Hospital

Dear Kirk:

As discussed, Lodi Memorial Hospital (the "Applicant") has submitted to the California Statewide Communities Development Authority (the "Authority") an application (the "Application") for the financing certain medical facilities (the "Project") through the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$150.0 million. The purpose of this letter is to request the assistance of the City of Lodi in conducting on Wednesday, September 19, 2007 a public hearing with respect to the proposed financing.

The Authority is a joint exercise of powers authority consisting of over 480 California cities, counties and special districts, including the City of Lodi. The Authority pursuant to its Amended and Restated Joint Exercise of Powers Agreement is authorized to assist in the financing of facilities for non-profit organizations. In order to initiate such a financing, the member participant of the Authority in which the proposed facilities will be located must (i) conduct a public hearing and (ii) approve the Authority's issuance of indebtedness. Therefore, although the Authority **will** be the issuer of the tax-exempt revenue obligations for the Applicant, the financing cannot proceed without the City of Lodi's approval of the financing.

I have attached for your review a copy of the Application filed with the Authority. You **will** be receiving shortly a letter from Jenna Magan of Orrick, Herrington & Sutcliffe, serving as bond counsel, and describing the public hearing process and the requirements under state and federal laws, including the Tax Equity and Fiscal Responsibility Act (TEFRA). This letter **will** include for your review the form of Notice of Public Hearing and the form of City Council Resolution evidencing that the City has approved of the financing.

Founding Co-Sponsors:



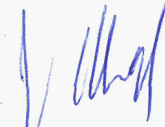
2033 North Main Street, Suite 700 • Walnut Creek, California 94596

800.635.3993 • 925.933.9229 • Fax 925.933.8457 • info@cacommunities.org • www.cacommunities.org

August 22, 2007

Thank you for your assistance in this matter. Please let me know if you require any additional information concerning the scheduling of such public hearing or if I can be of any other assistance.

Very truly yours,



James F. Hamill
Program Manager

Enclosures

cc: Jenna Magan, Orrick, Herrington & Sutcliffe (vcmorgan@orrick.com)

Brandon Dias, Orrick, Herrington & Sutcliffe (bdias@orrick.com)



Building Communities. Investing in Local Government Since 1985

501(c)(3) Nonprofit Bond Application

APPLICANT INFORMATION

Application Number: **2007164**
Name of Borrower: **Lodi Memorial Hospital**
Primary Contact: **Joseph Harrington**
Title: **President & CEO**
Street Address: **975 South Fairmont Avenue** Suite: _____
City: **Lodi** State: **CA** Zip Code: **95240**
Telephone Number: **(209) 339-7560**
Fax Number: **(209) 339-3754**
E-mail: **alex.sigeda@ubs.com**
Type of Entity: ☐ For-profit Corporation ☒ Non-profit Corporation
☐ Municipality ☐ Partnership
☐ Other (specify): _____
Date Organized: **08/16/1945**

PROJECT INFORMATION

Type of Project:
Health Care: ☐ Continuing Care ☐ Clinic ☒ Hospital ☐ Assisted Living
☐ Skilled Nursing ☐ Other (specify): _____
Education: ☐ K-12 ☐ Colleges/Universities
Other: ☐ Museum/Cultural ☐ Other (specify): _____
Project/Facility Name: **The South Wing addition**
Street Address: **975 South Fairmont Avenue**
City: **Lodi** State: **CA** Zip Code: **95240**
County: **San Joaquin**
☒ Project located in unincorporated part of the County? **No**
Has the city or county in which the project is located been contacted? If so, please provide name, title, telephone number and e-mail address of the person contacted:
Contact Name: _____
Title: _____
Phone Number: _____ Ext. _____
Fax Number: _____
E-mail: _____



Building Communities, Investing in Local Government Since 1988

501(c)(3) Nonprofit Bond Application

FINANCING INFORMATION

Principal Amount: **\$150,000,000**
Tax-exempt Amount: **\$150,000,000**
Taxable Amount: **\$0**

Proposed Closing Date: **10/31/2007**

Maturity: **30 Years** Interest Rate Mode: ☒ Fixed ☒ Variable

Type of Offering: ☒ Public Offering ☐ Private Placement
Denominations: **\$5,000 fixed rate; \$25,000 variable rate**

Type of Financing: ☐ Acquisition of Existing Facility ☒ New Construction
☐ Refunding

Credit Enhancement: ☐ None ☐ Letter of Credit
☒ Bond Insurance ☐ Other (specify): _____

Name of Credit Enhancement Provider or Private Placement Purchaser: **Office of Statewide Health Planning and Development (Cal Mortgage Prog)**

Expected Rating: ☐ Unrated ☒ S & P A+
☐ Moody's _____ ☐ Fitch _____

PRINCIPAL FINANCE TEAM INFORMATION

UNDERWRITER/PLACEMENT AGENT

Contact: **Gerald McGovern**

Firm: **Sidley Austin LLP**

Telephone: **(415) 772-1215**

Fax: **(415) 772-7400**

E-mail: **gmcgovern@sidley.com**

BOND COUNSEL

Contact: **Jenna Magan**

Firm: **Orrick, Herrington & Sutcliffe LLP**

Telephone: **(916) 329-7980**

Fax: **(916) 329-4900**

E-mail: **vcmagan@orrick.com**



Building Communities. Investing in Local Government Since 1988

501(c)(3) Nonprofit Bond Application

ADDITIONAL INFORMATION REQUIRED

Please provide the following information as additional attachments:

| <u>Attachment</u> | <u>Description of Information</u> |
|-------------------|---|
| A | \$5,000 non-refundable* application fee payable to "CSAC Finance Corporation.". |
| B | Detailed Applicant History. |
| C | Description of project or each facility to be financed or refinanced. |
| D | Comprehensive summary of project public benefits. |
| E | Address of each facility to be financed or refinanced. |
| F | Evidence of credit enhancement or intent to purchase bonds. |
| G | List of outstanding tax-exempt debt. |
| H | Financial statements for last complete fiscal year. |
| I | Project Costs (Sources and Uses of Proceeds). |
| J | Interested Parties List. |

*Refundable only if financing not approved.

MAILING ADDRESS
California Communities
2033 N. Main St., Suite 700
Walnut Creek, CA 94596

III. Project Description

In response to a variety of factors, including Service Area population growth, seismic requirements, patient privacy concerns, and the need to remain competitive by planning for new technologies, a Facility Master Planning process for Lodi Memorial Hospital was completed in 2002. In mid-2003, Hospital leaders engaged HDR Architecture, Inc. to validate the Master Plan, assess facility and timing options, and assist the Hospital in defining a phased Project that would serve the Hospital and Service Area community in the years ahead.

The outcome of this process resulted in “the Project”, as defined in this study. Key elements of the Project include construction of a new Central Plant and South Wing addition to the main Hospital campus, structural upgrades to existing Hospital facilities that will ensure compliance with SB-1953 seismic standards, and departmental relocations that will increase operational efficiency and clinical effectiveness. These elements are described in more detail below.

Central Plant Addition

The first priority of the Project plan is to complete a Central Plant Addition on the main Hospital Campus at 975 South Fairmont Avenue in Lodi. The new Central Plant will be located adjacent to, and north of, the existing 147,347 square foot main Hospital and just south of the 15,127 square foot “Conrad Buildings” which are located in the northwest corner of the Main Campus site. The Central Plant will occupy space currently occupied by a small house that will be demolished. The two-story Central Plant will comprise 14,500 square feet of space that will house chillers, fire pump systems, generators, and utilities that will serve the Main Hospital through a system of underground pipe. Main Hospital space occupied by the current Central Plant will continue to provide services to the existing building.

South Wing Addition

The South Wing addition is the centerpiece of the planned Project for a number of reasons. First, it adds significant inpatient capacity (90 Medical/Surgical beds) to the main Hospital Campus (“Lodi Memorial Hospital-East” or “Main Campus”). Second, as altogether new construction, it meets the highest 2030 seismic standards, is consistent with current standards of care (e.g., private room patient accommodations), and allows for the dissemination of new technology. Third, the additional capacity will free up space in the existing Hospital to expand and relocate departments in the interests of efficiency, work flow, and patient and staff convenience.

Due to the dependency of other Project elements on the South Wing addition, construction and occupancy of the new South Wing will be an initial priority in the Project chronology and timeline. While virtually all Project elements must occur *after*

the South Wing is built and occupied, there are two activities other than the new Central Plant that may occur prior to (or concurrent with) South Wing construction.

Materials Management is currently located on the Basement level of the existing Hospital, while the Kitchen, Cafeteria, and Dietary Department are on the First Floor. Due to the need to expand the Cafeteria and Dietary Department to meet the increased capacity needs associated with the South Wing addition, the Kitchen will be moved to an area in the Basement currently occupied by Materials Management. Materials Management must, therefore, first be moved to an off Campus site.

Despite its scale, the South Wing is descriptively straightforward. Key elements include:

- 131,340 square feet of new space on the Main Campus;
- Four stories (plus a small Basement hallway and Penthouse elevator);
- Two points of connection to the existing Hospital;
- Basement Level:
 - 1,024 square feet;
 - Hallway linkage to existing Hospital building.
- 1st Floor:
 - 41,264 square feet at ground level;
 - New Main Entrance and Hospital Lobby;
 - New Emergency Department;
 - New Urgent Care Center.
- 2nd Floor
 - 30,297 square feet;
 - 30 new Medical/Surgical beds;
 - Mezzanine connection between the 1st and 2nd floors of the South Wing located at the elevation of the first floors of each wing at the east and west connection points of the existing hospital.
- 3rd Floor
 - 28,958 square feet;
 - 30 new Medical/Surgical beds;
- 4th Floor
 - 27,937 square feet;
 - 30 new Medical/Surgical beds

- Penthouse
 - 1,860 square feet;
 - For elevator equipment only.

Seismic Upgrades to LMH-West and LMH-East

In 1994, the California State Legislature passed Senate Bill 1953 (“SB-1953”), the Alquist Hospital Seismic Safety Act. While the law initially required all hospitals in California to upgrade to specific seismic performance standards by 2008 (i.e., “SPC-2” for structural facilities and “NPC-3” for non-structural facilities), this deadline has been extended to 2013. In addition, the law requires that hospitals upgrade further (i.e., to SPC-3, SPC-4, or SPC-5) by the year 2030.

The South Wing addition meets the highest SPC-5 standards, but, as described in the chart below, many of the current structures of Lodi Memorial Hospital – East and West fall short of 2013 SPC-2 and NPC-3 requirements.

Table 111-1

Lodi Memorial Hospital – East and West Campuses SPC and NPC Ratings

| Building/Structure | Year Built | SPC Rating | NPC Rating |
|---------------------------|-------------------|-------------------|-------------------|
| Original Building | 1951 | SPC-1 | NPC-2 |
| Engineering Building | 1951 | SPC-1 | NPC-2 |
| East Addition | 1962 | SPC-1 | NPC-2 |
| West Addition | 1968 | SPC-1 | NPC-2 |
| Central Plant Addition | 1982 | SPC-4 | NPC-2 |
| North Addition | 1982 | SPC-4 | NPC-2 |
| ER Expansion | 1989 | SPC-4 | NPC-2 |
| LMH-West | 1967 | SPC-1 | NPC-2 |

The focus of the Project, in terms of seismic standards, will be to upgrade all existing LMH-East and West SPC-1 structures to SPC-2 and all NPC-2 structures to NPC-3, consistent with the 2013 requirements. The exception concerns the 1968 “West Addition” at LMH-East, which will *not* be upgraded to SPC-2. Though Management plans to remove all acute services (including 25 Medical/Surgical beds) from the 1968 West Wing building, it is possible that this will not be necessary based on recent information suggesting that the State of California *may* extend the SPC-2 deadline beyond 2013, or even lower the standards somewhat for hospitals, such as LMH, that are in relatively low risk earthquake zones.

For the purposes of this analysis, however, this study will assume that the 25 beds currently in the 1968 building *will* be removed from service in 2013, the year following the end of the forecast period (2012). Patient demand that would otherwise be met by these beds will be satisfied by additional capacity in the new South Wing.

I. Hospital History, Mission, and Services

The history of Lodi Memorial Hospital (“LMH” or the “Hospital”) began on August 16, 1945 when two members of Lodi Chapter 59 of the Disabled American Veterans met to discuss the need for a new hospital in Lodi, California. This discussion grew to include others in the community, who agreed that a non-profit organization should be founded to facilitate planning, fund-raising, and construction of a hospital that would be operated “by community members for community members”.

On December 7, 1945, the Lodi Memorial Hospital Association was formed. The Association would become the non-profit owner of the Hospital, as well as its primary fund-raising vehicle. The date of incorporation, December 7th, was chosen intentionally as the Hospital would be dedicated to the 4,000 men and women from the greater Lodi area who served in the armed forces during World War II. In remembrance of 44 of the 4,000 who died in the War, the Hospital would be named *Lodi Memorial Hospital*.

By 1947, 3,500 donors had contributed to the Hospital campaign. Several sites were considered and, in 1950, ground was broken on a new Hospital facility located at the present main Hospital site on South Fairmont Avenue in Lodi, California. The new Hospital opened in 1952 and included 55 beds, two surgery suites, two delivery rooms, two nurseries, and a medical records room, pharmacy, laboratory, and X-ray suite.

Other noteworthy dates in the history of Lodi Memorial Hospital include the following:

- 1955: Full Hospital accreditation;
- 1956: \$18,000 Ford Foundation grant that funded the addition of a Recovery Room, Labor Room, and four new private patient rooms;
- 1962: \$250,000 financing that added a two-story wing for Emergency and Radiology services, as well as eight private patient rooms;
- 1963: Application for \$1.6 million in Hill-Burton funding to address Hospital capacity and overcrowding issues through a major Hospital expansion;
- 1968: Opening of a new West wing that added expanded Lab and Pharmacy services and 28 patient beds, bringing the Hospital’s total bed count to 99;
- 1969: Addition of an Intensive Care Unit (“ICU”);
- 1970: Addition of Physical Therapy services;
- 1972: Addition of Telemetry, Fetal Monitoring, Respiratory Therapy, and an ER staffed for night and weekend coverage;
- 1974: Helipoint donated by the Lodi Lion’s Club;
- 1976: Addition of the OB Clinic and expansion of Lab, Surgery, ICU, Maternity, Central Supply, and Dining services;
- 1981: Creation of the Lodi Memorial Hospital Foundation;
- 1982: Completion of an \$8.5 million, 47,000 square feet addition to the existing 97,000 square foot facility;
- 1983: Addition of a Short-Stay Surgery program;

- 1984: Creation of Memorial Home Care Agency;
- 1985: Addition of an outpatient drawing lab in Galt, California;
- 1988: Addition of a new 2,500 square foot Physical Therapy department;
- 1990: Purchase of Doctors Hospital, renamed “Lodi Memorial Hospital–West”, and provision of Acute Rehabilitation and therapy services;
- 1990: Opening of an Adult Day Care Center with the City of Lodi at Hutchins Street Square;
- 1991: Addition of Cardiac Catheterization services;
- 1992: Initiation of Subacute services at LMH-West;
- 1993: Addition of Outpatient Surgery and the Medical Ambulatory Care Unit (“MACU”);
- 1993: Home Health Agency and Memorial Home Med-Equip open satellite office in Galt;
- 1994: Dialysis Center opens at LMH-West;
- 1995: Primary Care Clinic for low income residents opens at LMH-West;
- 1995: Ham Lane Primary Care Clinic opens;
- 1996: Galt Clinic opens;
- 1997: Ione Clinic opens;
- 1997: Lodi Regional Health System (“LRHS”), a for-profit medical management company, is established;
- 1998: Sierra Foundation grants \$60,000 and the Hospital builds a free clinic for the uninsured in Lodi’s Salvation Army headquarters;
- 1998: LMH assumes the operation of Camp Hutchins, a child care center, from the City of Lodi.
- 1999: LMH named to top 100 orthopedics hospitals in the United States;
- 2002: Addition of Advanced Imaging Center;
- 2003: Hospitalist program initiated for patients admitted through the Emergency Room who do not have a primary care physician relationship;
- 2004: Addition of the Picture Archiving and Communications System (“PACS”) for digital archiving and viewing of radiology results;
- 2004: In response to Hospital capacity constraints, conversion of 11 long term care beds at LMH-West to general acute use;
- 2004: Design and cost analysis of planned South Wing Addition (“the Project”).

Mission, Vision, and Values

The Hospital's Mission, Vision, and Values statements are presented below.

Mission

As a not-for-profit, health-care delivery system, Lodi Memorial Hospital is dedicated to:

- *Improving community health and our community's quality of life through direct and supportive services;*
- *Providing quality and timely health-care services, ranging from health promotion and education to diagnostics, acute-inpatient care, rehabilitation services and home care;*
- *Expanding community access to care.*

Vision

Our vision is to provide a system of health-care services which is clinically effective, quality driven and community focused in an environment that supports and encourages excellence. In partnership with our medical staff, we will assume accountability for the health of our community, be responsible for illness and injury prevention and provide care for the ill and injured. We will measure our success on quality outcomes and customer satisfaction.

Values

How we treat each other reflects upon how we treat patients. Our challenge is to deliver quality and timely care while showing sensitivity and concern for each individual. Hospital staff, medical staff, governing board and volunteers are committed to:

- *Treating all patients, visitors and each other with equal dignity and respect;*
- *Putting the patient first – whatever the patient's perception, seek to meet his or her needs above all others;*
- *Fostering an environment that values our employees, physicians and volunteers as our most valuable resources;*
- *Anticipating change as an opportunity for continued improvement;*
- *Seeking community partnerships and participation in hospital planning.*

Current Beds and Services

In addition to nine clinics and various community services, Lodi Memorial Hospital includes two hospital facilities, as described below:

Table I-1

**Lodi Memorial Hospital
Bed Configuration of Two Lodi Campuses in 2006**

| | Lodi Memorial Hospital Main Campus | Lodi Memorial Hospital West Campus | Total - Both Campuses |
|---------------------|--|---------------------------------------|--------------------------|
| Address | 975 South Fairmont Avenue | 800 South Lower Sacramento Road | |
| Licensed Beds | | | |
| Unspec. Gen'l Acute | 71 | 11 | 82 |
| Intensive Care | 10 | - | 10 |
| Perinatal | 18 | - | 18 |
| Rehabilitation | - | 24 | 24 |
| Skilled Nursing | - | <u>36</u> | <u>36</u> |
| Total Licensed Beds | 99 | 71 | 170 |
| Staffed Beds | | | |
| Unspec. Gen'l Acute | 70 | 11 | 81 |
| Intensive Care | 10 | | 10 |
| Perinatal | 18 | | 18 |
| Rehabilitation | | 15 | 15 |
| Skilled Nursing | | <u>35</u> | <u>35</u> |
| Total Staffed Beds | 98 | 61 | 159 |

Source: State of California, Department of Health Services, Hospital License; Lodi Memorial Hospital.

Hospital Inpatient, Outpatient, and Ancillary Services

Services available at both Lodi Memorial Hospital campuses include the following:

- General acute inpatient (Medical/Surgical, Intensive Care, and Obstetrics)
- Acute rehabilitation
- Distinct-part skilled nursing (LMH-West Transitional Care Unit or “TCU”)
- Subacute care (LMH-West TCU)
- Emergency (Basic)
- Urgent care
- Inpatient and outpatient surgery
- Medical ambulatory care unit (“MACU”)
- Cardiac rehabilitation

- Physical therapy
- Aquatic therapy
- Fitness center
- Occupational therapy
- Speech pathology
- Respiratory therapy
- Radiation therapy
- Wound and ostomy care
- Cardiac catheterization
- Diagnostic imaging
- Laboratory
- Pharmacy

Clinics

Lodi Memorial Hospital owns and operates nine clinics that serve a variety of age and income groups and geographic areas. Descriptions of each clinic are included below.

Free Clinic at Lodi Salvation Army

- Free clinic for adults and children who are not eligible for government, employer, or private medical insurances.
- Total visits
 - o 2001: 965
 - o 2005: 939
- Partners
 - o Salvation Army
 - o Volunteer physicians and Hospital staff
 - o Pharmaceutical companies

West Primary Care Clinic

- Primary care services for low income Service Area residents
- Total visits
 - o 2001: 7,126
 - o 2005: 13,269

Galt Medical Services

- Licensed Rural Health Center ("RHC") serving residents of Galt and surrounding areas.
- Total visits
 - o 2001: 12,976
 - o 2005: 13,462

Ham Lane Primary Care Clinic

- Primary care services
- Total visits
 - o 2001: 5,594
 - o 2005: 6,741

Ione PrimeMed Clinic

- Primary care services to residents of Ione and surrounding areas.
- Total visits
 - o 2001: 12,134
 - o 2005: 8,373

OB Clinic

- Prenatal medical care for **low** income, expectant mothers.
- Total visits
 - o 2001: 7,915
 - o 2005: 9,867

Pediatric Clinic

- Health care for **low** income pediatric patients.
- Total visits
 - o 2001: 13,655
 - o 2005: 22,920

Occupational Health Clinic

- Rehabilitative services for injured employees and their employers
- Total visits
 - o 2001: Not open until 2003
 - o 2003: 2,757
 - o 2005: 5,818

Urgent Care Clinic

- Urgent care services to reduce unnecessary Emergency Room utilization
- Total visits
 - o 2001: 26,903
 - o 2005: 21,183

Other Facilities and Community Services

- Home Health Care: Licensed home health program owned and operated by Lodi Memorial Hospital.
- Adult Day Care Services at Hutchins Street Square: Licensed program for older and disabled adults who require supervision during the day, providing respite for caregivers and activities and care planning for participants.
- Camp Hutchins Child Care: Child care program in downtown Lodi offered in partnership with the City of Lodi.
- Lodi Medical Plaza: Physician offices located on Main Hospital Campus.
- Vital Enterprises: Durable Medical Equipment subsidiary (wholly-owned).
- Community Wellness: Low cost flu shot program.

Planned Facilities and Services

The Hospital has plans for a variety of new services and facilities. Given a degree of uncertainty concerning the Wound Care and Endoscopy Centers described below (as well as a lack of planning and financial data), this study assumes no financial impact for these two planned services. The study does, however, estimate the impact of the planned Spanos Park Medical Office Building and South Wing Project. The market and financial impact of these facilities is described in subsequent sections of this Report.

Wound Care Center

Lodi Memorial Hospital plans to open an Outpatient Wound Care Center in Lodi that will provide hyperbaric medicine and advanced wound care services.

Endoscopy Center

Lodi Memorial Hospital and a local surgical group are planning to open an Endoscopy Center that will provide colonoscopies and other outpatient endoscopic procedures. Certain aspects of the center are not yet determined, however, space has been leased near the Main Hospital Campus in Lodi.

Spanos Park Medical Office Building

Lodi Regional Health Systems, a wholly-owned for-profit subsidiary of Lodi Memorial Hospital, has entered into a Limited Partnership Agreement with an outside development company to build a two-story Medical Office Building (“MOB”) at 8 Mile Road near Interstate 5 in north Stockton, California. LRHS will master lease the building. Construction is scheduled to begin in the Summer of 2006, with the building shell to be completed by the end of 2006. No firm agreements for subleases of space are currently signed, and a new manager has been hired to generate occupancy for the building. The new Vice President of Operations started in early July 2006, and has a goal of achieving full occupancy of the building before the end of 2008. Financing for the Spanos Park MOB (described in Sections VIII and IX of this Report) is independent of the “Project”, as defined *in* this study and as briefly described below.

The South Wing Project

As described subsequently in Section III, Lodi Memorial Hospital plans to develop a new four-story South Wing Tower that will be located on the Main Hospital campus at 975 South Fairmont Avenue in Lodi. The four-story structure will include 90 Medical/Surgical beds (30 on each of the top three floors), as well as a new Emergency Department and Urgent Care Center. The Project will also include a new Central Plant, seismic upgrades to acute facilities, and various departmental relocations.

RESOLUTION NO. 2007-197

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LODI APPROVING THE ISSUANCE OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY INSURED REVENUE BONDS (LODI MEMORIAL HOSPITAL) IN ONE OR MORE SERIES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$150,000,000 FOR THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION, CONSTRUCTION, EQUIPPING, AND IMPROVEMENT OF CERTAIN HEALTH CARE FACILITIES OWNED AND OPERATED BY LODI MEMORIAL HOSPITAL ASSOCIATION, INC. AND OTHER MATTERS RELATING THERETO

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WHEREAS, Lodi Memorial Hospital Association, Inc., a nonprofit public benefit corporation (the "Corporation"), has requested that the California Statewide Communities Development Authority (the "Authority") issue revenue bonds, in one or more series, in an aggregate principal amount not to exceed \$150,000,000 (the "Bonds") for the purpose of, among other things, financing and refinancing the acquisition, construction, equipping, and improvement (the "Financing") of certain health care facilities owned and operated by the Corporation (the "Facilities") located in the City of Lodi (the "City"); and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City because the Facilities are located within the territorial limits of the City; and

WHEREAS, the City Council of the City (the "City Council") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, the Authority has also requested that the City Council approve, for purposes of Section 9 of the Agreement, the issuance of any bonds to be issued by the Authority to refund the Bonds; and

WHEREAS, pursuant to Section 147(f) of the Code, on October 3, 2007, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds at which hearing members of the public wishing to express their views on the issuance of the Bonds and on the nature and location of the Facilities proposed to be financed and refinanced were offered the opportunity to express such views, and now the City Council desires to approve the issuance of the Bonds by the Authority.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi as follows:

Section 1. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this Resolution constitute approval of the Financing and the issuance of the Bonds by the Authority for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are to be located, in accordance with said Section 147(f) and (b) Section 9 of the Agreement, which shall also be deemed satisfied for any bonds issued by the Authority to refund the Bonds.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

Section 3. This Resolution shall take effect immediately upon its adoption.

Dated: October 3, 2007

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I hereby certify that Resolution No. 2007-197 was passed and adopted by the City Council of the City of Lodi in a regular meeting held October 3, 2007, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Katzakian, Mounce,
and Mayor Johnson

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None



RANDI JOHL
City Clerk

PROOF OF PUBLICATION

(2015.5 C.C.C.P.)

STATE OF CALIFORNIA

County of San Joaquin

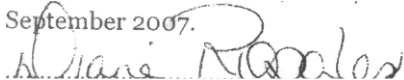
I am a citizen of the United States and a resident of the County aforesaid: I am over the age of eighteen years and not a party to or interested in the above entitled matter. I am the principal clerk of the printer of the Lodi News-Sentinel, a newspaper of general circulation, printed and published daily except Sundays and holidays, in the City of Lodi, California, County of San Joaquin and which newspaper had been adjudicated a newspaper of general circulation by the Superior Court, Department 3, of the County of San Joaquin, State of California, under the date of May 26th, 1953. Case Number 65990; that the notice of which the annexed is a printed copy (set in type not smaller than non-pareil) has been published in each regular and entire issue of said newspaper and not in any supplement thereto on the following dates to-wit:

September 17th

all in the year 2007.

I certify (or declare) under the penalty of perjury that the foregoing is true and correct,

Dated at Lodi, California, this 17th day of September 2007.



Signature

~~This~~ space is for the County Clerk's Filing Stamp

Proof of Publication
Notice of Public Hearing



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